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**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2019-290-WS

In the Matter of:

**Application of Blue Granite Water
Company for Approval to Adjust
Rate Schedules and Increase Rates**

**DIRECT TESTIMONY OF
SHAWN ELICEGUI FOR
BLUE GRANITE WATER COMPANY**

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1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Shawn M. Elicegui. I am based in Reno, Nevada but work with the executive
3 team for the Corix Group of Companies ("Corix") which resides at Suite 1160 1188 W
4 Georgia Street, Vancouver, BC Canada V6E 4A2.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the Executive Vice President of Risk Management for Corix.

7 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

8 A. I graduated from the University of Nevada Reno with a Bachelor of Arts degree in
9 International Affairs, Political Science and then obtained my Juris Doctor from University
10 of California, Davis, King Hall School of Law. I was a judicial clerk for the United States
11 Court of Appeals for the Ninth Circuit and then practiced law at a large Nevada law firm
12 for nearly twelve years as an associate and then a shareholder of the law firm. I was
13 Associate General Counsel for NV Energy from February 2009 until December 2013 when
14 I had the opportunity to move to the business and regulatory side of NV Energy and became
15 Vice President of Regulatory Affairs. In the course of over a decade at NV Energy I held
16 numerous positions in management involving regulation and strategic planning, customer
17 operations, and ultimately became Senior Vice President of Business Plan, Regulatory and
18 Legislative Strategy. I also served as a member of the Board of Directors of NV Energy,
19 Inc., an electric utility with annual revenues of approximately \$3 billion. I then started SR
20 431 Consulting LLC to provide strategic advice and counsel to regulated utilities and
21 stakeholders in the energy industry.

22 **Q. BRIEFLY DESCRIBE YOUR CURRENT PROFESSIONAL EXPERIENCE.**

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1 A. In September 2019 I became Executive Vice President of Risk Management for Corix. I
2 have overall responsibility for developing, implementing and reporting on Corix-wide risk
3 management strategy, actions and results and provide executive oversight to several
4 corporate functions including Health Safety & Environmental, Legal, Insurance and
5 Internal Audit. I also provide testimony in regulatory proceedings as needed.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE SOUTH CAROLINA**
7 **PUBLIC SERVICE COMMISSION (THE “COMMISSION”)?**

8 A. No, I have not. However, I have testified on numerous occasions in front of the Public
9 Utilities Commission of Nevada.

10 **I. BACKGROUND**

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

12 A. The purpose of my direct testimony is to:

- 13 • describe the relationship of Corix to Blue Granite Water Company (“BGWC”);
- 14 • describe the nature of certain corporate support shared services provided by Corix
15 to Water Services Corporation (“WSC”) which, in turn, provides a full suite of
16 support services to BGWC under its existing Affiliate Interest Agreement (“AIA”);
- 17 • describe how those services are charged through to WSC and ultimately BGWC;
18 and
- 19 • support the associated necessity and reasonableness of costs of each of those
20 services to BGWC in satisfaction of the applicable standards by which such
21 expenses are reviewed by the Commission.

22 **Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN CORIX, WSC AND**
23 **BGWC.**

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1 A. Corix Infrastructure, Inc. (“CII”) is the ultimate parent corporation of BGWC and other
2 affiliates that makeup the “Corix Group of Companies”. CII is a privately held corporation
3 owned by certain affiliates of British Columbia Investment Management Corporation.

4 **Q. WHAT TYPES OF SERVICES DOES THE CORIX GROUP OF COMPANIES**
5 **PROVIDE?**

6 A. The Corix Group of Companies provides a variety of utility services, including district
7 energy, electric distribution, natural gas and propane distribution, water production,
8 treatment and delivery, and wastewater collection, treatment and disposal services. CII’s
9 experience is both broad and deep, providing the opportunity to share best practices both
10 vertically and horizontally. The CII executive management team (the “Executive Team”)
11 works hard to develop a culture that facilitates the rapid dissemination of learnings, which
12 yields improvement in service quality and efficiency for each member of the Corix Group
13 of Companies.

14 In addition, Corix’s shareholder, the British Columbia Investment Management
15 Corporation, has visibility into best practices in other organizations in many different
16 industries, including the utility industries. The Executive Team has access, through its
17 board, to insights that smaller organizations do not.

18 **Q. WHAT PURPOSE DRIVES CII?**

19 A. Corix is a purpose-driven organization. As an organization, we help people enjoy better
20 life and communities thrive. By observing our core values – safety, integrity, connection
21 and excellence – we strive to deliver essential services to our customers in a cost-effective
22 way. Collectively, we aim to leverage our resources to deliver to our customers the highest
23 quality service at reasonable prices.

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1 **Q. WHAT OTHER GENERAL BENEFITS DOES AFFILIATION WITH CII**
2 **PROVIDE?**

3 A. CII provides access to capital, both debt and equity, that is not available to smaller
4 organizations. Moreover, CII's geographic diversity, scale and scope provide advantages
5 to the operating companies within the Corix Group of Companies. CII enjoys a wide
6 spectrum of technical and industry expertise in all facets of sustainable water, wastewater,
7 and energy systems, including innovative technologies, operating tools, and regulatory
8 resources required to develop sustainable multi-utility services. CII provides certain
9 corporate support services to WSC to support WSC's provision of shared services to
10 operating utility affiliates within the Corix Group of Companies. Both WSC and GBWC
11 are direct, wholly owned subsidiaries of Inland Pacific Resources Inc. which is owned by
12 Corix Infrastructure (US) Inc. which is owned by CII.

13 **Q. DURING THE TEST YEAR, DID BGWC RECEIVE SERVICES FROM AN**
14 **AFFILIATED SERVICE PROVIDER?**

15 A. Yes, WSC has been providing shared support services to BGWC for several years under
16 the AIA. Under the AIA, WSC may furnish to BGWC all day-to-day services "including
17 but not limited to the following: executive, engineering, operating, accounting, legal,
18 billing, customer relations, and construction." Additional services WSC provides to
19 BGWC under the AIA include human resource ("HR") functions, health safety and
20 environmental ("HSE"), Information Technology ("IT") services including cybersecurity
21 and governance, and corporation communications.

22 WSC retains employees and vendors as necessary to provide the shared support
23 services and received certain corporate support services from CII ("Corporate Services")

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1 during the test year. These Corporate Services held WSC to serve the operating business
2 units including BGWC. The Corporate Services are described in detail below. The
3 Corporate Services provided are in the public interest because they allow BGWC to access
4 resources that improve the service that BGWC provides for a small portion of the overall
5 expense incurred to provide the Corporate Services. These centralized Corporate Services
6 allow the sharing of overhead costs and expertise across numerous Corix utility businesses
7 and achieve economies of scale including from procurement on a much larger scale thereby
8 providing greater bargaining power for the combined entity and other efficiencies that
9 could not be achieved on a stand-alone basis.

10 This centralization also allows for improved employee technical expertise,
11 specialization, and work performance. BGWC and its customers benefit from the deep
12 experience and broader industry perspective that CII and WSC provide. These services –
13 those provided by WSC directly and the Corporate Services – were provided (and continue
14 to be provided) at a lower cost than could be provided on a stand-alone basis (assuming
15 replication of these services on such a smaller scale could even occur). Provision of these
16 shared Corporate Services optimizes performance by avoiding redundant services at the
17 subsidiary level and allowing the operating units to focus on achieving operational
18 excellence and providing safe, reliable, and responsive services to their customers. With
19 expertise at the Corporate Service level being shared, there is improved service to the
20 customers. Maintenance of enterprise-wide standards for many functions such as IT,
21 cybersecurity, safety, and human resources provide efficiencies and expertise across the
22 business units and Corporate Services ensures these standards are followed by every
23 operating utility with oversight of implementation. Moreover, certain Corporate Services,

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1 like those provided by the Executive Team, cannot reasonably be outsourced to third
2 parties given the level of understanding and experience needed within the business.

3 **Q. HAS BGWC INCLUDED IN THE REVENUE REQUIREMENT IN THIS CASE**
4 **CERTAIN COSTS INCURRED BY WSC FOR CORIX CORPORATE SERVICES?**

5 A. Yes. The Corporate Services provided are described in detail below. These services are
6 provided in accordance with the AIA at cost – only actual expenses are included in the
7 revenue requirement. There is no mark-up.

8 **Q. ARE THE COSTS BGWC INCURS FOR THE CORIX CORPORATE SERVICES**
9 **AFFILIATE TRANSACTIONS?**

10 A. Yes. As explained below, BGWC demonstrates that (1) the Corix Corporate Services are
11 necessary, reasonable, and proper; (2) the charges for those services provided to WSC and
12 ultimately to BGWC are only those actually incurred to provide the services with no mark-
13 up; and (3) the costs are not in excess of the reasonable price for furnishing such services.
14 BGWC supports this conclusion based on a two-prong analysis. The reasonableness of the
15 price for the services furnished is first demonstrated by comparing the cost of the WSC
16 charges (including all Corporate Services) on a per regulated retail customer basis to the
17 same charges for utility companies that must file the Federal Regulatory Commission
18 (FERC) Form 60 – Annual Report of Service Companies. For 2018, the average cost for
19 comparable services was \$110 per customer for service companies reporting to the FERC.
20 Based on the 2019 budget, the total WSC charges (including for Corporate Services) is
21 approximately \$75 per customer. Seventeen of the twenty-four utility service companies
22 that filed a FERC Form 60 for 2018 had a higher per-customer cost than WSC's. See
23 Elicegui Direct Exhibit No. 1. In addition, we evaluated the cost for each of the Corporate

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Services by reviewing the salaries of the individuals providing the services and comparing those to market salaries or hourly rates that would be charged by outside providers of equivalent services which also demonstrates the prices for those services under the AIA are at or below market as set forth in detail below. There are economies of scale that result from BGWC's affiliation with a larger enterprise of regulated utility affiliates and obtaining needed services from WSC.

It is also important to note that it would be difficult to find service providers with the same specialized knowledge that the WSC and Corix personnel possess given that they spend substantially all of their time servicing operating utility companies (the majority of which are water and wastewater companies). This specialization brings with it a unique knowledge of the business that is likely unavailable from outside providers.

II. DESCRIPTION OF CORPORATE SERVICES**Q. WHAT ARE THE CORPORATE SERVICES CII PROVIDED WSC TO SUPPORT BGWC FOR THE CHARGES INCLUDED IN THE BGWC REVENUE REQUIREMENT?**

A. Generally, Corix Corporate Services are strategic and focus on business oversight, enterprise-wide policies and ensuring legal and regulatory compliance which are necessary functions for the continuous and effective operation of any responsibly run corporation and, therefore, benefit customers.

Corix's strategic oversight and integration among its utility businesses helps facilitate access to capital for the operating Corix Group of Companies including BGWC. To provide capital for its businesses, Corix performs the Corporate Services and incurs costs to maintain its corporate structure and financial and corporate integrity. These

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activities, described below, are necessary for the Corix utilities, including BGWC, to deliver safe and reliable services to their customers.

Q. PLEASE DESCRIBE THE HUMAN RESOURCES SERVICES CII PROVIDED WSC TO SUPPORT BGWC.

A. While WSC directly employs individuals to manage many day-to-day personnel matters for the affiliate companies such as BGWC (such as recruiting, background checks, onboarding training, payroll, human resource complaints, investigations, reviews, assisting employees with various benefit questions and elections, etc.), WSC relies on the Corix corporate Human Resources (“HR”) group to provide enterprise-wide direction and coordination for numerous activities. The corporate HR group is primarily responsible for facilitating the creation, update, and compliance framework for personnel policies (with WSC direct employees providing support). The corporate HR group provides support for executives’ and employees’ compensation plan design, retirement savings, and benefits management. The corporate HR group engages consulting assistance for some of the prior mentioned areas that then are available to all business units including, for example, market surveys to ensure compensation and benefit packages are competitive. The corporate HR group helps ensure that company-wide we remain competitive with relevant markets to ensure cost efficiency through reasonable compensation to secure and retain highly competent and high performing employees. The CII HR group is also available to assist the local management teams with employee and labor relations issues and conducts employee engagement surveys as part of our overall strategy to recruit and retain the best talent. This group also ensures provision of a global confidential line allowing for whistleblower employee protection and for the anonymous reporting of issues without the fear of

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1 retaliation or retribution and oversees follow-up and investigation of any issues that may
2 arise.

3 In addition, this group arranges benefit programs for employees across the entire
4 Corix organization. The attraction of qualified employees and the retention of these
5 employees is integral to providing reliable, safe, and sustainable service to customers. The
6 Corporate HR Services WSC receives to support BGWC are necessary to ensure BGWC
7 maximizes the knowledge, expertise, and resources available across the Corix family to
8 operate efficiently and prudently, resulting in significant savings and avoided costs for
9 South Carolina customers.

10 **Q. PLEASE DESCRIBE THE HEALTH SAFETY AND ENVIRONMENTAL**
11 **SERVICES CORIX PROVIDED WSC TO SUPPORT BGWC.**

12 A. Many local Health Safety and Environment (“HSE”) compliance staff are resident in
13 individual business units to ensure compliance and familiarity with local requirements,
14 permits, and regulators. These local staff do not eliminate the need for a small HSE group
15 at the corporate level. The costs for the Corporate HSE services are primarily for the
16 Director and staff involved in Health Safety and Environment planning including the
17 review for compliance with all federal government mandates; development and
18 deployment of company-wide HSE policies, procedures, training manuals, forms, and tools
19 for standardized programs to be used across the business units; compliance programs;
20 assessment programs; industry research; and incident investigation and audits. This group
21 is also involved in developing preventative programs across the Corix Group of Companies
22 to provide an environment of safety, safe operation, and environmental stewardship. In
23 fulfilling these activities, this group works with individuals in the business units and

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1 engages consultants or commissions studies to facilitate these programs and best practices
2 that benefit all units. It would be impractical and expensive for BGWC to develop its own
3 HSE policies, procedures, and training manuals. BGWC receives information about
4 federal law and requirements at a lower cost than it would incur to obtain the same
5 information from another source because of CII's scale. Moreover, the BGWC has access
6 to top-tier training programs because of its relationship with CII. Finally, CII's breadth
7 allows for the sharing of best practices, which benefits BGWC's customers.

8 **Q. PLEASE DESCRIBE THE FINANCIAL MANAGEMENT SERVICES CORIX**
9 **PROVIDED WSC TO SUPPORT BGWC.**

10 A. Corporate financial management services include corporate finance and accounting as well
11 as treasury, internal audit, and tax. The corporate financial management group provides
12 general oversight to all financial professionals in all business units including guidance on
13 the use of accounting principles, the implementation of financial internal controls to ensure
14 spending and investing are in accordance with the business strategy and budget, and the
15 appropriate disclosure and presentation of financial and performance indicators. This
16 group supports forecasting including the 20-year model, collaborating with all business
17 units to prepare consolidated modeling which is required by lenders. They also oversee
18 the consolidated audit which is a requirement under covenants for lead bank loans, and
19 work across the organization with groups such as HR and the business units directly where
20 work is needed on centralized key performance indicators, and other ad hoc issues and
21 reporting required to support the business which would otherwise require external
22 consulting at a significantly higher cost.

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1 The corporate financial management group looks at long-term capital plans and
2 consolidates all operating budgets which are used to gain approval with our shareholder
3 and capital market financing to access capital needed to deliver on business unit plans. The
4 corporate financial management group is the prime interface with our corporate auditors
5 and maintains our overall corporate model which supports our financing, strategic
6 planning, and valuation activities which are all essential to continuing access to capital.
7 The Chief Financial Officer is also involved in any decision concerning the hiring,
8 promotion, or termination of key finance staff in the business units. This group also works
9 closely with the corporate legal group to review overall risk management.

10 In addition, this group provides corporate treasury services including long- and
11 short-term capital needs planning for both debt and equity. Corix corporate staff interact
12 (on behalf of all of the Corix business units) with the shareholder and the capital markets
13 to arrange, extend, or change terms of financing. This group analyzes the use of private
14 placement versus floating rate versus the use of swaps to find the appropriate stable
15 financing for the entity given its capital and operating needs over the short and long term.
16 Corix Corporate Services also often arranges financing at the local level. This group also
17 monitors the use of revolvers and monitors covenant coverage; Corix has been available to
18 periodically advance funds if needed to ensure interest spreads relative to coverage ratios
19 are optimized to minimize interest costs to the benefit of customers. Without these services,
20 BGWC's focus would become split between investment activities necessary to ensure
21 access to capital and providing water and wastewater service. Therefore, in addition to the
22 cost savings BGWC enjoys from the receipt of the Corporate Services, there is also an

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1 important streamlining of operations allowing BGWC to focus on water and wastewater
2 operations.

3 **Q. PLEASE DESCRIBE THE INTERNAL AUDIT AND TAX SERVICES YOU**
4 **MENTIONED THAT THE CORPORATE FINANCIAL MANAGEMENT GROUP**
5 **PROVIDES TO WSC TO SUPPORT BGWC.**

6 A. The corporate financial management group also provides internal audit functions to
7 periodically evaluate a company's internal controls, including its corporate governance and
8 accounting processes. They ensure compliance with laws and regulations, and accurate and
9 timely financial reporting and data collection. This group provides internal audit services
10 based on annual risk analysis of key areas and based on requests from business units that
11 may require assessments of processes, fraud investigations, or IT control assessments.
12 Their assessment findings are generally available to all business units unless there is some
13 issue of confidentiality or litigation.

14 The corporate financial management group also provides corporate tax compliance
15 services to WSC to support BGWC. Tax compliance is obviously a necessary function for
16 any corporation to lawfully operate and includes the timely filing of federal and state tax
17 returns and other corporate filings. The corporate financial group includes the corporate
18 tax group which coordinates the tax planning activities for all Corix business units and
19 either: (1) undertakes compliance activities, (2) directs tax compliance activities taking
20 place in the business units, or (3) oversees outside tax professionals who may be providing
21 services to the individual business units. This group also works with external auditors for
22 annual audit tax provision and reviews of consolidated financial statements and tax returns.
23 This group's facilitation, oversight and related work with outside consultants on

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1 compliance and audit brings tremendous savings – the external consultant hours required
2 without this group performing these functions would cost approximately \$600 per hour
3 compared to the approximate hourly rate based on salary for the corporate positions of [REDACTED]
4 [REDACTED].

5 The Corix tax group ensures compliance with tax regulations. It also provides strategic tax
6 perspectives into Corix’s strategic planning process, coordinates corporate tax audits, and
7 develops and implements cross-border transfer pricing policies. A recent example of the
8 specific support services this groups provides is the assistance across the enterprise in
9 understanding, evaluating, and implementing changes related to the Tax Cuts and Jobs Act
10 of 2017 (“TCJA”). The corporate tax group also reviews tax provisions used in reporting
11 for bank purposes and other tax regulations to ensure compliance across the enterprise;
12 files corporate tax returns; and engages in supervision and tax planning for the Corix Group
13 of Companies including responding to inquiries, requests, or audits that arise from the
14 governing authorities. To carry out these responsibilities, the Corix tax group assists the
15 Corix business units in their annual planning and budget cycle and ensures that business
16 unit forecasts are incorporated in corporate strategic planning – functions BGWC could
17 not perform given the consolidated organizational structure of Corix. The Corix tax group
18 also creates and maintains the framework for strong internal tax controls and procedures
19 necessary for any responsibly run and reputable corporation.

20 **Q. PLEASE DESCRIBE THE CORPORATE LEGAL SERVICES CORIX PROVIDED**
21 **WSC TO SUPPORT BGWC.**
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1 A. The Corix corporate legal group coordinates all legal services within the Corix Group of
2 Companies and undertakes certain annual corporate filings both in Canada and the U.S.,
3 creating and maintaining viable companies that are legally authorized to conduct business
4 in all jurisdictions. The legal group provides support on complex contract review,
5 including organizational third-party contracts that benefit all Corix business units that
6 cannot be done at the various units. This includes services to other corporate groups with
7 respect to the drafting and execution of legal agreements. Benefits to customers include
8 risk mitigation and avoidance of litigation. Legal assesses the competency of legal staff in
9 the various units and their workload to ensure we have staff in the right locations to serve
10 the organization.

11 The Corporate legal group provides legal service and advice to Corix's various
12 business functions. The group facilitates communications with the Executive Management
13 team, finance, tax, health safety and environmental, and other key groups within the
14 organization to ensure effective management of legal matters and strategic and risk input
15 into corporate-wide decisions to minimize cost and exposure for all customers. The Corix
16 corporate legal group also supports either directly or with outside counsel all financing
17 activities, including working with treasury to document syndicate and private placement
18 debt, including process, documentation, and governance for both debt and equity.

19 Corporate legal has general oversight over litigation and strategic consultation and
20 reports to the board on major litigation. This assists in the determination of whether outside
21 counsel is needed to assist in local matters to ensure litigation is managed to the benefit of
22 the customer and to streamline reporting of risk matters to reduce exposure. The group also
23 provides advice on Corix corporate matters, including governance and compliance,

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1 provides corporate secretarial services to Corix and certain of its subsidiaries, and
2 coordinates communications to, and the meetings of, the corporate boards of Corix and
3 certain of its affiliates.

4 **Q. PLEASE DESCRIBE THE CORPORATE IT GOVERNANCE SERVICES CORIX**
5 **PROVIDED WSC TO SUPPORT BGWC.**

6 A. While WSC directly employs individuals to provide day-to-day IT services (such as
7 general system operations and maintenance, software maintenance, workstation acquisition
8 support and certain network administration), the Corix corporate IT Group has
9 responsibility for developing our corporate IT strategy. Our corporate IT strategy includes
10 the design, implementation, and replacement of enterprise resource planning (“ERP”),
11 oversight of cybersecurity programs, data storage and management, communication
12 networks and development of enterprise-wide IT equipment strategies. The Corporate IT
13 group also works with legal and the business teams to prepare and properly implement
14 enterprise policies relevant to IT such as record retention and cybersecurity.

15 Corporate IT conducts security analyses, monitors and investigates security alerts,
16 conducts security awareness training, and continuously works to improve security in the
17 environment including identifying and implementing best practices to prevent incidents.
18 With so much public attention and gravity of potential risks and vulnerability of utility
19 providers (including customer information), our Corporate IT serves a critical function to
20 proactively work to ensure the security of our assets and information.

21 While most system implementation and operation are conducted by WSC direct
22 employees, Corporate IT participates on steering committees and provides oversight as
23 needed. The current environment has necessitated some third-party expenditure on

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1 cybersecurity to ensure we have an appropriate framework for cybersecurity at all levels
2 of the business. Corporate IT is overseeing the cybersecurity strategy and implementation
3 across the Corix Group of Companies and providing critical services to WSC to support
4 BGWC. Examples of specific services this group provides include:

- 5 • Management of the enterprise application portfolio – identifying what applications
6 will be used company-wide, ensuring they are reliable and ensuring that the
7 enterprise has one application portfolio;
- 8 • Enterprise security including constantly monitoring changes in legislation for data
9 privacy, changes in legislation for various security requirements for contracts,
10 establishing frameworks, parameters, setting requirements for security, monitoring
11 security alerts, and providing the businesses security awareness training; and
- 12 • Focus on constant improvement to security in environment and proactive work to
13 security assets and information, monitoring numerous reports on vulnerability and
14 working to standardize the program across the Corix entities.

15 **Q. PLEASE DESCRIBE THE CORPORATE COMMUNICATIONS SERVICES**
16 **CORIX PROVIDED WSC TO SUPPORT BGWC.**

17 A. While many communications functions are performed by WSC employees or resident in
18 the local business units, this small group in corporate communications is responsible for
19 overall communications programs within the organization including the development and
20 maintenance of a company-wide intranet and the establishment of communications
21 protocols for individual business unit branding and websites. This group also monitors
22 mainstream and social media channels across North America to ensure we are aware as an
23 organization of emerging issues in the media from stakeholders, customers, or others that

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1 we should be aware of and potentially responsive to. This group also is available to provide
2 guidance to all business units and assistance where significant crisis management may
3 require additional communication resources. Natural disasters such as floods, hurricanes,
4 earthquakes, and national and local concerns with water quality issues are all examples
5 where these staff can assist local management in communication both internally and
6 externally.

7 **Q. PLEASE DESCRIBE THE SERVICES THE CORPORATE OFFICE OF THE CEO**
8 **PROVIDED WSC TO SUPPORT BGWC.**

9 A. The Corix CEO provides WSC the skilled, expert corporate management necessary at the
10 executive level for continued operations in the short and long term. BGWC provides a
11 critical service – provision of safe and reliable water and treatment of wastewater. Poor
12 management at any level of the organization could result in significant negative impacts to
13 the local community and the state. Expert corporate executive management is essential to
14 ensuring BGWC's economic stability. The Corix CEO works with the corporate
15 management team to provide strategic direction, formulate corporate strategy and ensure
16 corporate goals and objectives are met for the Corix Group of Companies. The Corix CEO,
17 EVP of Risk Management, and Executive Management team provide guidance to
18 operational leadership to optimize Corix's lines of business and identify complementary
19 aspects of Corix's businesses to achieve synergies where possible for the benefit of
20 multiple stakeholders – including the customers of the business units such as BGWC. The
21 Corix CEO and Executive Management team review Corix's and its subsidiaries' activities
22 to foster the corporate culture and values of honesty, integrity, transparency, and
23 accountability.

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1 In addition to strategic direction, the Corix CEO, EVP of Risk Management, and
2 Executive Management team also ensures Corix and its business units have systems in
3 place to manage their respective principal business risks; develop strategies and goals for
4 financial planning, capital access, and organizational structure; and establish effective
5 company-wide governance models, internal control standards, and procedures to drive
6 efficiencies and cost effectiveness. Examples of important executive management
7 functions that benefit the customer include monthly executive management team meetings
8 where financial and operational reports and issues are discussed at length; monitoring of
9 overall financial reporting, budgeting process, and monitoring internal control
10 performance; approving policies, procedures, and practices as they relate to safe, reliable,
11 and effective provision of service; review of major projects with significant input from the
12 businesses to scrutinize cost and effectiveness of proposed projects and initiatives and their
13 alignment with enterprise goals; capital and asset planning including a formal process for
14 review of prioritizing capital expenditures, approving project spending, and delivery and
15 measuring outputs including placement of effective controls over budgets through business
16 plans and individual capital projects through appropriate authorization thresholds,
17 management, and reporting processes. The Corix CEO, EVP for Risk Management and
18 Executive Management team also establish capital risk management strategies.

19 **Q. PLEASE DESCRIBE THE DIFFERING FUNCTIONS OF THE VARIOUS**
20 **LEVELS OF GOVERNANCE AND MANAGEMENT WITHIN CII CORPORATE,**
21 **AT WSC AND WITHIN THE REGIONAL MANAGEMENT GROUP FOR BGWC.**
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1 A. The regional management team for BGWC focuses on the administration and operations
2 of BGWC. The COO of regulated utilities in the United States works closely with local
3 leadership in evaluating capital investment plans and operating budgets as well as
4 providing expertise on and leadership with addressing customer concerns, industry best
5 practices, and setting short and long-term operating strategies. The Corix CEO and
6 Executive Management team focus on overall corporate governance, management
7 oversight, strategic advice, guidance and leadership and providing capital access. The
8 Corix CEO sets overall enterprise direction and strategy, interacts with the shareholder to
9 source capital, and at a high-level works with corporate debt holders to provide assurance
10 that an appropriate governance structure exists overall and in each operating unit.

11 **Q. PLEASE DESCRIBE THE DIFFERING FUNCTIONS OF WSC EMPLOYEES**
12 **AND THE CORPORATE SERVICES PROVIDED AND INCLUDED IN THE**
13 **REVENUE REQUIREMENT PROPOSED IN THIS CASE.**

14 A. The WSC employees are dedicated to the operations of the affiliate operating business units
15 such as BGWC while, as discussed above, the Corix Corporate Services are allocated
16 among the Corix business units and focus on enterprise-wide strategies, policies and
17 corporate governance. The WSC workforce resident in the business units is responsible
18 for, among other things, ensuring water supply, safe transmission and treatment of
19 wastewater, leak detection, community education on safe water and wastewater service,
20 servicing and reading customer meters, installing and maintaining utility infrastructure,
21 right-of-way activities, engineering, monthly financial variance analysis for the operating
22 business unit, annual report preparation for local jurisdictions, state level monthly
23 reporting, annual operating budgets, local environmental compliance and regulatory issues,

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1 local communications and community outreach and generally safe operation of the water
2 and wastewater system on a daily basis.

3 WSC also directly employs individuals in shared services to provide consolidated
4 operational functions such as customer service, billing and collections, and legal for the
5 business units. Accounting staff directly employed by WSC shared services are dedicated
6 to performing day-to-day accounting tasks such as processing accounts payable, payroll,
7 preparing and supporting rate case filings, and posting general ledger entries. As discussed
8 herein, these are clearly distinct functions from the Corix Corporate Services.

9 **Q. ARE THE CORIX CORPORATE SERVICES WSC IS RECEIVING TO SUPPORT**
10 **BGWC SIMILAR TO SERVICES PROVIDED BY OTHER SERVICE**
11 **COMPANIES THAT BENEFIT REGULATED UTILITIES?**

12 A. Yes. The services are common and necessary activities required for ongoing management
13 of any responsibly and effectively run corporate entity and are relevant to more than any
14 single operating entity within the Corix Group of Companies. The related activities are
15 performed in a centralized manner on behalf of all the operating entities, achieving
16 economies of scale. Corix operates multiple business units in the water and wastewater
17 sector with various operating characteristics such that these common activities can be
18 shared, avoiding duplication within the individual operating entities and maximizing the
19 use of resources dedicated to provide these activities across many business units. In
20 addition, the access to expertise and ability to enjoy economies of scale are critical to
21 BGWC's ability to continue to provide safe and reliable service and keep up with
22 increasing needs in technology (such as cyber security as one example) that would be cost-
23 prohibitive on a stand-alone basis.

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1 **Q. PLEASE SUMMARIZE THE DIFFERENCES BETWEEN SHARED SERVICES**
2 **WSC PROVIDED BGWC WITH WSC'S DIRECT EMPLOYEES AND THOSE**
3 **WSC PROVIDED THROUGH THE CORPORATE SERVICES.**

4 A. As noted above, through its direct employees, WS shared services provides consolidated
5 operational services across the business units such as customer service, billing and
6 collections, accounting, local communications, legal, day-to-day human resources and
7 local health environmental and safety compliance review (such as local permits and
8 ordinances, etc.). While these shared services have similar names to certain of the
9 Corporate Services Corix provides WSC, the nature and purpose of the shared services are
10 different than the Corix Corporate Services. Shared services provide operational support
11 across the business units to streamline overhead expenses and processes, reducing costs to
12 our customers and maximizing the efficiency of the utility service provided. Providing
13 these services on a standalone basis would be prohibitively expensive as compared to the
14 current corporate structure. WSC employees currently provide consolidated IT systems
15 across the lower 48 states and, as a result, each of the business units in those jurisdictions
16 benefits greatly from reduced costs for hardware, software, certain licensing fees, and
17 additional IT staff to support individual IT systems. As described above, the Corporate IT
18 services focus on distinct functions such as enterprise wide cybersecurity and privacy
19 support to ensure compliant and safe, reliable, and continuous operations across all of the
20 companies supported.

21 WSC direct employees focus on the everyday administration and operation of the
22 utilities, while the Corix Corporate Services focus on corporate governance, executive
23 corporate management, strategic advice, guidance and leadership including enterprise-

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1 wide policies that ensure compliant, safe and reliable business practices across the
2 companies and providing access to capital.

3 **Q. ARE THE CORIX CORPORATE SERVICES NECESSARY FOR BGWC'S**
4 **PROVISION OF RELIABLE AND SAFE SERVICE TO ITS CUSTOMERS?**

5 A. Yes. Each of the functional needs for the corporate service costs included in the revenue
6 requirement is described above. The consolidation of the Corporate Services at Corix
7 allows BGWC to enjoy the benefits of cost efficiencies that cannot be achieved if BGWC
8 were to source these services from third parties or attempt to replicate them on its own. The
9 sharing of costs means that each business unit bears only a portion of them. This includes
10 the benefit and cost efficiency of sharing third-party costs that Corix pays at arm's-length
11 to unaffiliated third parties for services performed for the benefit of all the Corix business
12 units (such as health benefits and tax services). It would cost BGWC significantly more
13 than its allocated share of these third-party costs to source these services for just BGWC
14 or to employ additional personnel at BGWC and incur more overhead costs to manage the
15 additional functions. The economies of scale realized by Corix's provision of the Corporate
16 Services result in lower costs to BGWC customers and BGWC's access to increasingly
17 necessary technology and other utility service infrastructure and expertise that would be
18 much more expensive and potentially cost-prohibitive on a stand-alone basis. In addition
19 to the functional needs and economic efficiencies, collectively the Corporate Services that
20 Corix provides to WSC to support BGWC are necessary to maintain Corix's corporate
21 status and financial and business integrity to support its continual access to capital funding
22 and markets.

23 **III. COST ALLOCATION AND COMPETITIVENESS OF COSTS**

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1 **Q. HOW ARE THE COSTS OF THE CORPORATE SERVICES CHARGED TO WSC**
2 **AND THE CORIX BUSINESS UNITS?**

3 A. Costs for Corporate Services are combined into one common cost pool for allocation. This
4 cost pool is then allocated to the Corix business units and subsidiaries using the method set
5 forth in the Corix Cost Allocation Manual (the "Corix CAM"). The Corix CAM was
6 developed with the assistance of expert consultants based on commonly used routinely
7 accepted regulatory practices for shared cost allocation. The Corix CAM was developed to
8 maintain allocation consistency across the Corix Group of Companies and avoid
9 subsidization of one group or unit by another.

10 Under the Corix CAM, direct costs are identified up front and directly assigned to
11 the business unit(s) receiving the exclusive benefit of the service. Corporate costs are
12 subject to a Tier 1 allocation between the business units receiving services. The Tier 1
13 allocation for corporate costs is based on the composite allocator factoring 33.3% for each
14 of the factors of gross revenue, headcount, and gross property, plant and equipment to best
15 represent the size, scope and complexity of operating business units.

16 **Q. DO THE COSTS INCLUDED IN THE REVENUE REQUIREMENT FOR BGWC**
17 **HAVE ANY MARK-UP OR PROFIT OF ANY KIND ON THE COST WSC OR**
18 **CORIX INCURS TO PROVIDE THESE CORPORATE SERVICES?**

19 A. No. The charges included in the BGWC revenue requirement reflect the Corporate Services
20 provided at Corix's cost with no mark-up or profit.

21 **Q. HAS CORIX IMPLEMENTED MECHANISMS TO CONTROL COSTS**
22 **ASSOCIATED WITH CORPORATE SERVICES?**
23

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1 A. Yes. Budgets are reviewed with the expectation that all costs incurred must be necessary,
2 prudent and reasonable which leads to benefits to the customer. Management is held
3 accountable for expenses incurred within their budget and a portion of employee
4 compensation is linked to responsible cost management. Headcount mapping is conducted
5 in the Corix budget process on an annual basis and requires a demonstration of need. The
6 budgeting process begins in August and ends in December with budgets undergoing
7 rigorous internal review by the budget owners and vice presidents with multiple levels of
8 review at the business unit level and at corporate, along with presentations and question
9 and answer sessions to test proposed costs including headcount for each business unit and
10 department including in WSC shared and corporate services. Following thorough review
11 by the business units and corporate teams, the budgets are then carefully reviewed and
12 sometimes further modified as appropriate by the CFO, then the CEO, then the Executive
13 Management Team before then going to the audit committee and the Corix board of
14 directors. At each level, costs are heavily scrutinized to evaluate efficiency of operations
15 at all levels.

16 **Q. HAS CORIX INCURRED ANY COSTS FOR SERVICES THAT ARE NOT**
17 **ALLOCATED TO WSC FOR ITS SUPPORT PROVIDED TO BGWC?**

18 A. Yes. For example, Corix incurs costs for business development. Those costs will not be
19 included here in recognition of the impact to BGWC customers. Corix continues to work
20 with BGWC on integrating certain functions and identifying cost savings and further
21 efficiencies.

22 **Q. HAVE YOU ANALYZED WHETHER THE COSTS WSC CHARGES BGWC FOR**
23 **THE CORPORATE SERVICES ARE REASONABLE?**

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1 A. Yes. First, it is important to note that in many instances, such as tax and internal audit, for
2 example, BGWC could not carry out the shared service functions for itself without a
3 fundamental change in the organizational structure and reporting and functional changes
4 in the flow and work of people.

5 In addition, we considered the cost of all of the WSC services per customer
6 compared to other utilities with similar structures and we also evaluated the reasonableness
7 of the costs by reviewing the salaries of the corporate service providers compared to market
8 salaries. Confidential Elicegui Direct Exhibit No. 2 provides the corporate service provider
9 titles and salaries as well as market range salaries for these positions. As noted, our
10 Corporate HR identifies and evaluates market salary ranges for non-executive positions
11 relying on a number of resources including two large national cross border survey firms –
12 Mercer and Willis Towers Watson. With respect to water specific jobs we also look to
13 AWWA. Our corporate HR group pulls the market information together from these various
14 sources, evaluates the role of the position, level of the role and how they compare to our
15 corporate positions. Under our contracts and the condition that we maintain the
16 information as confidential we access their proprietary survey data for market salary ranges
17 as well as merit increases and accounting for geography. The information included in
18 Confidential Elicegui Direct Exhibit No. 2 includes both the market range for the corporate
19 positions in Canada converted to US dollars as well as the market range for those same
20 corporate positions (where available to us) in the United States. We generally take the
21 midpoint of salary range (P50 to be competitive in the labor markets) and adjust for
22 experience, expertise, demand for particular skills and performance. This analysis
23 demonstrates that the salary costs are at or below market and, therefore, reasonable.

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1 **Q. PLEASE DESCRIBE YOUR ANALYSIS OF THE REASONABLENESS OF THE**
2 **COST FOR CORPORATE SERVICES PROVIDED TO WSC TO SUPPORT**
3 **BGWC.**

4 A. I'll address each of the Corporate Services for which charges have been included in the
5 BGWC revenue requirement in this case.

6 **Internal Audit:** The internal audit services are described above and are provided
7 by the Director of Audit Services and an internal auditor. As demonstrated in Confidential
8 Elicegui Direct Exhibit No. 2, the salaries for these individuals are at or below the market
9 average. See Confidential Elicegui Direct Exhibit No. 2. Alternatively, if WSC were to
10 purchase the internal audit function from a third party at a market rate of \$310-440 per hour
11 (according to current standard pricing rates provided to us by an outside consultant in May
12 2019), the cost would significantly exceed the average hourly rate of the corporate service
13 providers which is [REDACTED]. Therefore, the internal audit cost allocation is
14 competitively and reasonably priced, and BGWC enjoys benefits received from economies
15 of scale.

16 Findings of any internal audit within the organization are shared with all business
17 units, including BGWC, which would provide recommendations on improved processes
18 and internal controls and identify areas of potential risk that have not been addressed. The
19 centralized expertise and learnings from around the organization are a benefit to customers
20 as it would reduce operational, compliance and financial risk. Mitigation or reduction of
21 these risks would lead to lower rates and increased reliability and safety to customers.

22 **Taxation:** The corporate tax services are described above and are provided by the
23 Vice President of Tax and Special Projects and a Senior Tax Manager. The salary rates for

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1 these individuals are at or below the market average. See Confidential Elicegui Direct
2 Exhibit No. 2. Alternatively, if WSC were to outsource the Corporate Services portion
3 related to taxation the bill out rate (as quoted to CII by Ernst & Young) would be \$675/hr
4 for a Senior Manager to review the work of the incumbent provider compared to the
5 average hourly internal rate of [REDACTED]. These corporate tax services are, therefore,
6 competitively priced compared to a third-party service. Another benefit of undertaking this
7 function in-house is the thorough understanding and expertise of the business, economies
8 of scale in negotiating rates with third parties due to aggregating multiple engagements
9 across the organization, and the response and management of audits.

10 **Treasury:** The corporate treasury services as described in detail above are
11 necessary and in the public interest and would be very difficult to outsource due to the
12 requirement for it to be embedded in the business. These services are provided by a Senior
13 Manager of Treasury Operations, and an Assistant Treasurer whose salaries are at or below
14 market. See Confidential Elicegui Direct Exhibit No. 2.

15 **Finance and Accounting:** The corporate finance and accounting services as
16 described above in detail are necessary and in the public interest and would be very difficult
17 to impossible to outsource due to the requirement for specialized and detailed knowledge
18 of the business. These services are provided by the CFO, a Financial Reporting Analyst, a
19 Corporate Development Analyst, a Business Intelligence Analyst, a Financial Accounting
20 Analyst, a Vice President of Financial Planning & Analysis, a Corporate Controller, and
21 Director of Corporate Development. The salary rates for each of these positions is at or
22 below the market average. See Confidential Elicegui Direct Exhibit No. 2.

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1 **Information Technology:** The corporate IT services are described above and are
2 provided by the Vice President of IT Infrastructure, a Senior IT Security Analyst, and a
3 Security Analyst. All of the salaries for these positions are at or below market. See
4 Confidential Elicegui Direct Exhibit No. 2. As discussed above, BGWC customers benefit
5 from the corporate IT services WSC received and continues to receive from CII as they
6 provide security breach protection, protocol and response support and expertise on
7 network, security strategy and data center management all of which are necessary and in
8 the interest of the public. For example, corporate IT constantly monitors for changes in
9 legislation in data privacy, various security requirements for contracts, and provides
10 security awareness training. As part of its enterprise function, the corporate IT group works
11 with representatives of the business units served, including BGWC, to share best practices,
12 trends in security management and review organizational KPIs. These functions support
13 cybersecurity and data protection that benefit the customer.

14 In addition to the data provided in Confidential Elicegui Direct Exhibit No. 2,
15 according to the U.S. Bureau of Labor Statistics, U.S. Department of Labor, Occupational
16 Outlook Handbook, information security analysts had a median pay of \$98,350 per year in
17 2018. See [www.bls.gov/ooh/computer-and-information-technology/information-security-](http://www.bls.gov/ooh/computer-and-information-technology/information-security-analysts.htm)
18 [analysts.htm](http://www.bls.gov/ooh/computer-and-information-technology/information-security-analysts.htm) (last visited May 29, 2019). A more recent estimate based on 4,043 salaries
19 submitted to Indeed.com indicates the average salary for IT security specialists in the
20 United States as of May 26, 2019, is \$117,643. See [https://www.indeed.com/salaries/IT-](https://www.indeed.com/salaries/IT-Security-Specialist-Salaries)
21 [Security-Specialist-Salaries](https://www.indeed.com/salaries/IT-Security-Specialist-Salaries) (last visited May 29, 2019). The corporate security specialist
22 salaries are within market range. The Mercer analysis CII commissioned for executive

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1 salaries indicated the Vice President of IT Infrastructure's salary was [REDACTED]

2 [REDACTED].

3 In addition, given economies of scale, BGWC could not purchase these services at
4 a less expensive cost or in a manner consistent with enterprise-wide policies. Therefore,
5 the cost of the IT corporate services is competitive and reasonable.

6 **Human Resources:** As discussed above a centralized corporate HR function is
7 necessary and provides significant benefits to the business units serviced and the ultimate
8 customers. The corporate HR services are provided by a Chief Human Resource Officer,
9 Director of Compensation and Benefits, and a Total Rewards Analyst. The salary rates for
10 each of these positions is at or below market. See Confidential Elicegui Direct Exhibit No.
11 2. In addition to the internal analysis for market salary ranges for non-executives, further
12 support that the cost is competitive to market is provided by the Mercer study
13 commissioned by CII to provide compensation surveys for corporate executives. The
14 Mercer report indicates that the salary for the Chief HR Officer at CII is [REDACTED].

15 The cost of the corporate HR services is competitive and reasonable based on
16 available market salary information, the Mercer compensation survey indicating the Chief
17 HRO salary is [REDACTED], and because of the benefits received from economies of scale.
18 The attraction of qualified employees and the retention of these employees is integral to
19 providing reliable and sustainable service to customers and, therefore, necessary and in the
20 public interest.

21 **Health Safety & Environment:** The corporate HSE services are described above
22 and are provided by the Director of HSE and an HSE Specialist. The salary rates allocated
23 to WSC for these individuals are within the market average range. See Confidential

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1 Elicegui Direct Exhibit No. 2. The remaining corporate HSE costs are comprised of third-
2 party licensing. BGWC gets the benefit of a full HSE corporate team for only a fraction of
3 the cost given the allocation among the Corix Group of Companies. As discussed in detail
4 above, these services are both necessary and in the public interest to ensure environmental
5 compliance and safety in the workplace which we consider to be critical components of
6 our business operations.

7 The third-party services are, by definition, at market and are necessary to carry out
8 a prudent HSE program and, therefore, in the public interest. BGWC would be required to
9 pay for these services at 100% compared to receiving a fraction of the costs through a
10 centralized provider. This cost allocation is competitive and demonstrates a significant
11 benefit to BGWC through economies of scale. Additionally, there is benefit to customers
12 from a coordinated HSE effort as findings and outcomes of investigations in other parts of
13 the organization would be shared and leveraged at BGWC. This results in more sustainable,
14 reliable, and cost-effective service to customers.

15 **Corporate Legal:** The corporate legal services are described above and are
16 provided by the General Counsel (Canada) and a Paralegal. The salary rates for these
17 individuals (see Confidential Elicegui Direct Exhibit No. 2) are [REDACTED]
18 [REDACTED] according to executive compensation information prepared by Mercer and the
19 internal analysis on market salary ranges. The salaries of the professionals providing the
20 corporate services are competitive to market, the services provided are necessary to the
21 business operations, and, therefore, the charges are reasonable. See Confidential Exhibit
22 Elicegui Direct Exhibit No. 2.

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1 **Corporate Communications:** The corporate communications services are
2 described above and are provided by the Director of Marketing and Communications and
3 the Communications and Public Relations Manager. The salary rates for these individuals
4 (see Confidential Elicegui Direct Exhibit No. 2) are within the market average, the services
5 provided are necessary to the business operations, and, therefore, the charges are
6 reasonable.

7 **Executive Management:** A market study was undertaken to ensure that executive
8 management fees were consistent with market rates. Corix commissioned a compensation
9 study to review executive compensation. As part of that review, Mercer compiled
10 information from Corix to identify comparator companies. The results of the Mercer study
11 reflect that Corix Executive Management costs are [REDACTED]. The Corix CFO
12 compensation was [REDACTED] and the Corix CEO compensation was [REDACTED]
13 [REDACTED].

14 It would also be very difficult if not impossible to outsource the Executive
15 Management functions to a third party due to the company expertise required to formulate
16 strategy and execute on those plans. The analysis supports that the allocated expense for
17 the executive management function is competitive, this function could not be provided by
18 a third-party at a lower cost, and, therefore, the charges are reasonable.

19 **Q. BASED ON YOUR DETAILED ANALYSIS ABOVE, WHAT IS YOUR**
20 **CONCLUSION REGARDING WHETHER THE CORPORATE SERVICES**
21 **CHARGES ARE REASONABLE?**

22 **A.** Considering market data discussed above and BGWC and CII practices relative to
23 employee benefits and compensation, enterprise policies to ensure prudent business

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1 practices, access to capital, and safe, compliant and efficient operations company wide, the
2 charges for the Corporate Services are reasonable.

3 **Q. ARE THE CHARGES INCLUDED IN THE REVENUE REQUIREMENT FOR**
4 **THE CORPORATE SERVICES PROVIDED TO BGWC COMPETITIVE?**

5 A. Yes. As described in detail above, the charges for the Corporate Services are competitive.
6 The Corix corporate philosophy is to keep all costs for its entire corporate enterprise at a
7 competitive level with its competitors and peers. CII continuously evaluates cost
8 management and the affordability of its rates compared to its peers in the water and
9 wastewater and utility market.

10 For example, as described above, all costs for Corporate Services are subject to
11 strict budgeting and cost controls. CII's hiring practices are designed to compete in the
12 market place, offering competitive salary and compensation at approximately the median
13 among its peer groups. In addition, as discussed above, some of the allocated costs are for
14 services performed by third parties who are, by definition, competitive in their charges as
15 they work in a competitive marketplace and are retained at arm's length. BGWC, like the
16 other Corix business units, gets a significant benefit from bearing only a portion of
17 allocated costs from these third-party providers. Finally, with respect to the internal
18 Corporate Services CII provides WSC in order to support BGWC, any such services
19 provided by a third-party would include profit margins that are not assessed by CII. Thus,
20 the cost at which BGWC receives the Corporate Services are competitive with the cost at
21 which BGWC could receive such services from a third party, if they were even available
22 from a third-party.

23 **IV. CONCLUSION**

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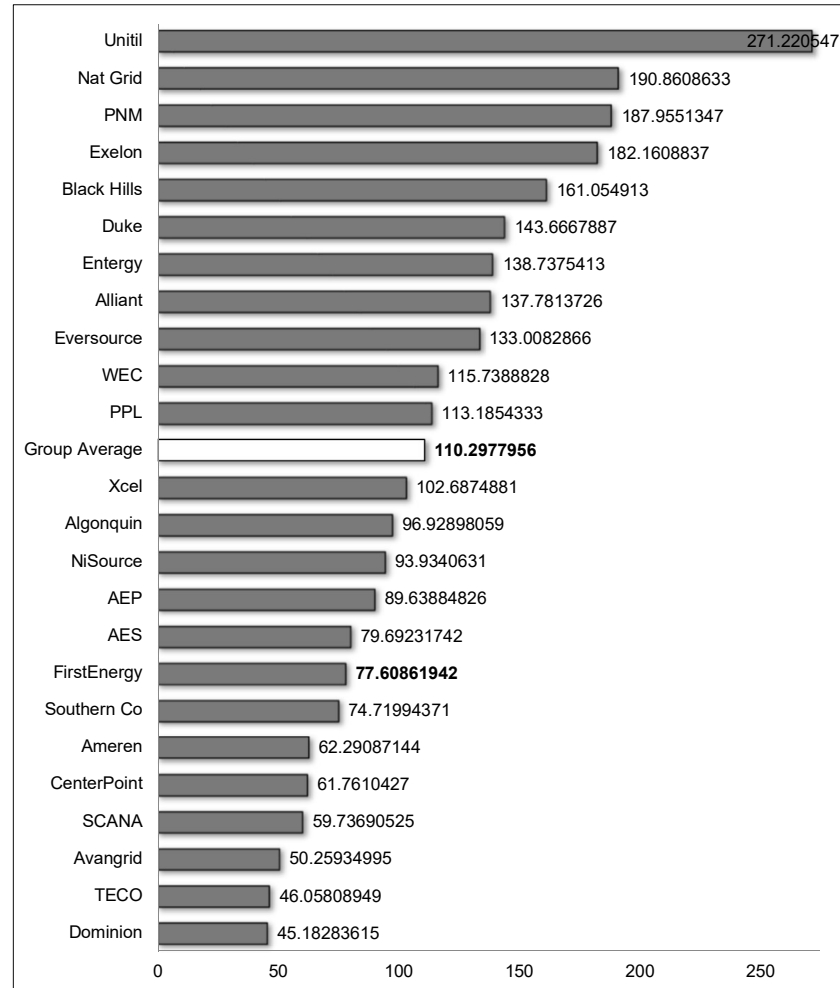
1 **Q. ARE THE COSTS ALLOCATED TO BGWC ASSOCIATED WITH CORPORATE**
2 **SERVICE AND INCLUDED IN THE REVENUE REQUIREMENT**
3 **REASONABLE?**

4 A. Yes. The costs allocated to BGWC for the Corporate Services are reasonable. The costs
5 are for services necessary to BGWC's operation, reflect a reasonable cost allocation
6 methodology based on widely used and accepted regulatory principles, take advantage of
7 economies of scale, are less than they would be if BGWC provided the services itself, and
8 are competitive with what the costs would be if the same services were available from and
9 provided by an unaffiliated third-party. The Corporate Service costs included in the
10 revenue requirement are necessary, beneficial to customers, and are in the public interest.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes it does, however I reserve the right to supplement or make corrections to this
13 testimony. Thank you.

Utility	Cost Per Customer
Dominion	\$45
TECO	\$46
Avangrid	\$50
SCANA	\$60
CenterPoint	\$62
Ameren	\$62
Southern Co	\$75
FirstEnergy	\$78
AES	\$80
AEP	\$90
NiSource	\$94
Algonquin	\$97
Xcel	\$103
Group Average	\$110
PPL	\$113
WEC	\$116
Eversource	\$133
Alliant	\$138
Entergy	\$139
Duke	\$144
Black Hills	\$161
Exelon	\$182
PNM	\$188
Nat Grid	\$191
Unitil	\$271
Total per above	\$2,826
Total per Rpt 1	\$2,826
	\$0



Dominion	\$45
TECO	\$46
Avangrid	\$50
SCANA	\$60
CenterPoint	\$62
Ameren	\$62
Southern Co	\$75
FirstEnergy	\$78
AES	\$80
AEP	\$90
NiSource	\$94
Algonquin	\$97
Xcel	\$103
Group Average	\$110
PPL	\$113
WEC	\$116
Eversource	\$133
Alliant	\$138
Entergy	\$139
Duke	\$144
Black Hills	\$161
Exelon	\$182
PNM	\$188
Nat Grid	\$191
Unitil	\$271

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket No. 2019-290-WS

In Re:)
)
Application of Blue Granite Water)
Company for Approval to Adjust Its)
Rate Schedules and Increase Rates)

**CONFIDENTIAL EXHIBIT 2
TO DIRECT TESTIMONY OF SHAWN ELICEGUI
FILED UNDER SEAL**